

OFFICIAL FILE
ILLINOIS COMMERCE COMMISSION

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

ORIGINAL

ILLINOIS
COMMERCE COMMISSION

NOV 27 2 53 PM '00

CLERK OF THE COMMISSION

Commonwealth Edison Company)	
)	00-0259
Petition for expedited approval of)	
implementation of a market-based)	
alternative tariff, to become effective on)	
or before May 1, 2000, pursuant to)	
Article IX and Section 16-112 of the)	
Public Utilities Act)	
)	(cons.)
Central Illinois Public Service Company)	
Union Electric Company)	
)	00-0395
Petition for approval of revisions to)	
market value tariff, Rider MV)	
)	
Illinois Power Company)	
)	00-0461
Proposed new rider MVI and)	
revisions to rider TC.)	

REPLY BRIEF OF
CENTRAL ILLINOIS LIGHT COMPANY

Edward J. Griffin (ejg@defrees.com)
W. Michael Seidel (wmseidel@defrees.com)
DEFREES & FISKE
200 South Michigan Avenue
Suite 1100
Chicago, Illinois 60604
312/372-4000 (voice)
312/939-5617 (facsimile)

November 22, 2000

TABLE OF CONTENTS

SUMMARY OF CILCO'S POSITION	1
PRICING AND MARKET DEFINITION RELATED ISSUES (III.)	2
III. A. OPTIONALITY ADJUSTMENT (LOAD UNCERTAINTY)	2
III. C. PLANNING RESERVE ADJUSTMENT	3
III. D. CAPACITY BACKED ADJUSTMENT	4
TIME PERIOD AND NOTICE RELATED ISSUES (IV.)	5
IV. A. PERIODS A/B V. 12 MONTH ROLLING AVERAGE	5
CONCLUSION	6

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Commonwealth Edison Company)	
)	00-0259
Petition for expedited approval of)	
implementation of a market-based)	
alternative tariff, to become effective on)	
or before May 1, 2000, pursuant to)	
Article IX and Section 16-112 of the)	
Public Utilities Act)	
)	(cons.)
Central Illinois Public Service Company)	
Union Electric Company)	
)	00-0395
Petition for approval of revisions to)	
market value tariff, Rider MV)	
)	
Illinois Power Company)	
)	00-0461
Proposed new rider MVI and)	
revisions to rider TC.)	

REPLY BRIEF OF
CENTRAL ILLINOIS LIGHT COMPANY

NOW COMES Central Illinois Light Company (CILCO), by its attorneys, Defrees & Fiske, and herewith submits its Reply Brief in the above-captioned proceeding.

SUMMARY OF CILCO'S POSITION

The proper balance between the utility's reasonable opportunity to obtain a return on its investments and the benefits to be gained from competition depends upon approval in this proceeding, pursuant to Section 16-112 of the Customer Choice Law, of tariffs that accurately reflect the market value of the power and energy to retail customers. The utilities' proposed market indices without certain adjustments supported by CILCO and others will not fairly

represent the retail market value of power and energy that competitive suppliers must earn to cover their costs. Market entry will be discouraged, and customers will lose opportunities to lower their electric costs. Furthermore, the proposed indices understate the retail power's true worth and would not accurately reflect the revenue the General Assembly recognized that existing utilities could realize from competitive retail sales, which together with transition charges would provide utilities the reasonable opportunity to obtain a return on their investments.

CILCO's Initial Brief focused on the adjustments to the proposed market indices supported by its witnesses. In general, CILCO advocated adjustments to the wholesale-based market indices to reflect load uncertainty characteristics of retail markets; and planning reserve requirements and capacity-backed source requirements to obtain network transmission for serving retail electric load in Illinois Power and Ameren service territories. CILCO also supported Commonwealth Edison's twice a year Market Value updates over Illinois Power's monthly updates. This Reply Brief addresses the arguments in Illinois Power's Initial Brief against CILCO's proposed revisions to Illinois Power's Market Index proposal. Other adjustments or criticisms offered by other parties may also be appropriate, and CILCO's silence on a particular issue should not be construed as either supporting or opposing a particular position.

PRICING AND MARKET DEFINITION RELATED ISSUES (III.)

III. A. OPTIONALITY ADJUSTMENT (LOAD UNCERTAINTY)

Consistent with CILCO's view, Staff's Brief (pages 30 - 32) advocates that "some form of optionality adjustment should be developed and implemented as part of the market index proposals." CILCO supports Staff's position that the "Commission should encourage each of the utilities to consider modifications to their market indexes to incorporate such a positive adjustment as soon as practicable."

III. C. PLANNING RESERVE ADJUSTMENT

Illinois Power's arguments against CILCO's proposal that market index filings should be adjusted to account for planning reserve requirements are unpersuasive. First, Illinois Power asserts planning reserves are not necessary because a RES can utilize point-to-point transmission service, and planning reserves are merely "suggested" for obtaining network transmission service to serve retail load its service territory. However, the evidence shows that network transmission is the preferred means for serving retail load (CILCO Ex. 3.0, p. 2), especially for a RES endeavoring to serve a group of customers such as school districts with facilities widely dispersed throughout a utility's service territory. CILCO's testimony provided specific first-hand details to dispel the notion that the reference to planning reserves in Illinois Power's network transmission application was simply a helpful suggestion and not a prerequisite. See CILCO Ex. 3.0, pages 2 -5. Illinois Power's witnesses conceded that they did not work for or represent the transmission function of the company, and that they were not present at the meeting where the planning reserve requirement was demonstrated to exist. Tr. 219, 224, 327. In essence, their understanding was based upon second-hand knowledge. The witnesses were unable to explain the purpose of the reference in Illinois Power's network transmission application to MAIN's 17 to 20 per cent planning reserve margin. Tr. 327. In fact, the witness characterized reserves as an "obligation", and admitted Illinois Power differed from Commonwealth Edison which did not have a similar "requirement." Tr. 328, 332.

Illinois Power further contends a planning reserve adjustment is unwarranted because CILCO as a RES only had to buy 100 per cent of its needs, "while the seller (Ameren) provided the reserves." Illinois Power Br. p. 21. However, Ameren undoubtedly charged CILCO a price that reflected the cost of providing the reserves, a fact that Illinois Power witness candidly admitted. Tr. 334. CILCO would prefer that Illinois Power would accept marketer firm products without additional planning reserve, as Commonwealth Edison does. However, so long as planning reserves are required, the marketer firm products which make up the market value index

proposed by Illinois Power do not reflect the market value of retail power that must include the cost of providing reserves. Finally, Illinois Power contends a planning reserve adjustment would constitute double counting because in failing to object to Illinois Power's proposal to set non-firm prices by dividing the firm number by a factor of 1.15, the parties implicitly recognized the proposed index includes a reserve factor. In fact, CILCO does not object to a non-firm price being reduced by dividing the firm price by 1.15, if the firm price actually reflects the requirement to provide planning reserves. CILCO objection is that the firm price based on the proposed index does not include the reserve requirement.

To account for the planning reserve requirements not reflected in the proposed indices, the market values provided by the indices for on peak periods should be adjusted upward by 15 percent. See CILCO Initial Br. Page 4. This adjustment would not be required for Commonwealth Edison's market value proposal because Commonwealth Edison does not require planning reserves, but will accept marketer firm products to serve retail load in its territory via network transmission. Obviously, Illinois Power and Ameren could avoid the need for the adjustment by changing their current practices of requiring a 15 percent planning reserve and adopting the Edison practice of accepting marketer firm products for network transmission.

III. D. CAPACITY BACKED ADJUSTMENT

Illinois Power's Initial Brief does not dispute that its NITS application requires retail suppliers to point to specific units or system supply. However, Illinois Power erroneously claims no party presented evidence that there were higher costs to supply this capacity-backed product than reflected in the marketer firm products which comprise the proposed market value indices. To the contrary, CILCO's witness testified that based upon a typical commercial and industrial customer load profile for a calendar year, the cost of the firm energy-only component of a retail product was \$35.12 per MW, and the actual additional cost to acquire a capacity-backed product was \$4.07 per MW. CILCO Ex. 2.0, p. 5. If the financially firm products reflected in Illinois Power's proposed indices really reflect the same value as firm capacity-backed products,

one wonders why Illinois Power will not accept financially firm products to obtain network transmission. Again, CILCO's proposed adjustment would not apply to Edison, because a capacity-backed product to serve retail customers is not required in Edison's service territory, and Illinois Power could avoid the adjustment by adopting a practice similar to Edison.

TIME PERIOD AND NOTICE RELATED ISSUES (IV.)

IV. A. PERIODS A/B V. 12 MONTH ROLLING AVERAGE

Based upon CILCO's experience with customers, two weeks within which customers must make a decision to switch suppliers under Illinois Power's proposal is insufficient time for the customer or supplier to examine the numbers, negotiate a contract and proceed through businesses decision making channels. CILCO Ex. 3.0, p. 5. Illinois Power disputes CILCO's experience by mistakenly characterizing CILCO's testimony. The claim is that CILCO signed an agreement to purchase power to supply a group of retail customers (schools) on August 1st, even though the NFF values were not published until August 15th. According to Illinois Power, if "this State's schools can make electric purchasing decisions (or an ARES on their behalf) without any idea of the market value, then surely a customer can do so when the values are know in advance of the time for making a decision." Illinois Power Br. pages 29 -30. In fact, the testimony shows that individual schools did not make commitments to switch suppliers until DASRs were submitted on their behalf (Tr.1253 - 1254), which was several weeks after August 15th, the date that the NFF market values were published. CILCO committed to buy power from Ameren for resale to the schools before any of the accounts were officially switched. The fact is the individual schools were not switched until several weeks after the NFF values were set, even with the benefit the advice of their consultant, IEC. Not all customers will utilize consultants, and one would expect such customers would benefit from more time to evaluate the impact of the market value determination than the Illinois Power proposal would provide.


CONCLUSION

Central Illinois Light Company respectfully requests that the Commission propose modifications to the market value index tariffs consistent with the recommendations set forth in the Company's Initial Brief, for the reason stated therein and in this Reply Brief.

Respectfully submitted,

CENTRAL ILLINOIS LIGHT COMPANY

By

A handwritten signature in black ink, appearing to read "W. Michael Seidel", written over a horizontal line.

One of Its Attorneys

Edward J. Griffin (ejg@defrees.com)
W. Michael Seidel (wmseidel@defrees.com)
DEFREES & FISKE
200 South Michigan Avenue, Suite 1100
Chicago, Illinois 60604
(312) 372-4000(voice)/(312) 939-5617 (facsimile)